

MEMORANDUM

TO: Audit Committee
Jon Strinden
Ron Leingang

FROM: Jamie Kinsella, Internal Auditor

DATE: November 27, 2007

SUBJECT: **August 22, 2007 Audit Committee Meeting**

In Attendance:
Ron Leingang
Rebecca Dorwart
Jamie Kinsella
Sharon Schiermeister
Sparb Collins

The meeting was called to order at 10:30 a.m.

I. May 23, 2007 Audit Committee Minutes

The audit committee minutes were examined and approved by the Audit Committee.

II. Internal Audit Quarterly Report

- A. Internal Audit Status Update – Included with the audit committee minutes was the Internal Audit quarterly report which listed all of the projects that are in active status. Ms. Kinsella revised the report to provide more information for the audit committee, as well as make it easier for the internal auditors to update.
- B. Quarterly Audit Finding Status Report – As stated in the Audit Policy #103, the Internal Audit Division is to report quarterly to management and the audit committee the status of the audit findings of the external auditors, as well as any found by the internal auditor. It was requested at the last audit committee meeting that management review the report with the external auditors to determine if each recommendation was still valid, and should remain on the report. Ms. Kinsella and Ms. Schiermeister met with Mr. Pat Brown, Brady Martz, in June to review this report. A total of five recommendations were removed from the report. The other 11 recommendations remained on the report as it was felt they were importation to NDPERS operations and should be completed.

There were six new recommendations added from the IT risk assessment review conducted earlier this year even though some of them have been implemented already. This is to show what issues were found and the action that has been taken to date.

A review of the final updated report shows a total of 17 recommendations of which five were 100% implemented this quarter and progress was made on one. This leaves a total of 12 remaining recommendations for staff to work on.

III. Administrative

- A. Internal Audit Plan for 2007 – Included with the audit committee materials was the Internal Audit Plan for the remainder of 2007. Mr. Leingang approved the Internal Audit Plan for the remainder of 2007. Ms. Dorwart seconded the motion.
- B. Audit Committee Self-Assessment Questionnaire – Included with the audit committee materials was a self-assessment questionnaire for the audit committee to complete. It is recommended to have the audit committee conduct a self-assessment on their business practice. This questionnaire should be reviewed on an annual basis. The last one was conducted in 2004. Ms. Kinsella requested this questionnaire to be filled out and returned to her by September 30. By general consensus the audit committee approved the questionnaire. However, the committee requested staff to review the last questionnaire results and send a list of the questions that were not applicable.
- C. Audit Committee Meeting - The next Audit Committee meeting will be held on November 21, 2007 at 10:30am in the NDPERS Conference room, Wells Fargo Bank Building.

IV. Miscellaneous

- A. Update on NDPERS Staffing Status – Included with the audit committee materials was an update on the status of the new staff positions which were approved by the legislature.
- B. Update on the Group Insurance Staffing Status - An update was provided to the audit committee on the group insurance staffing status since the last audit committee meeting.
- C. Pharmacy Benefits Manager (PBM) Project – An email from Larry Brooks, Blue Cross Blue Shield (BCBS) was included with the audit committee materials. Mr. Collins indicated that BCBS is still not willing to provide information. It was recommended that staff draft a letter stating NDPERS felt they should have access to this information and request their response by the next audit committee meeting. Discussion followed.
- D. Mainframe Migration – Included with the audit committee materials was an explanation from Mr. Ron Gilliam, IT Coordinator, regarding the decision to not participate in Phase 2 of the mainframe migrations project.
- E. LASR Project Status – Ms. Deb Knudsen provided an update on LASR project status.
- F. Joint Audit Efforts with Retirement & Investment Office – It was suggested by the

audit committee that staff explore whether there could be some efficiency achieved by sharing staff with RIO to create more specialization and efficiency. Ms. Kinsella conveyed she discussed this with Mr. Les Mason, RIO, and Mr. Collins. All of the audits conducted by RIO are employer or TFFR related audits. They do not conduct any financial audits. NDPERS does not do employer audits and allocates its resources to financial and program audits in addition to special projects. Both RIO and NDPERS conduct actuarial testing for the external auditors. This is done over the summer, verifying the sample selected by the external auditors.

Based upon the above analysis, there is little overlap in the types of audits conducted by the two entities. It would appear that due to the differing approaches the two staffs are already specializing in their respective areas. Therefore, it would appear that at this point in time the opportunities for sharing staff are limited. However, should NDPERS start doing employer audits or should RIO start doing more financial audits this should be reviewed again since more opportunities may then be available.

- G. Brady Martz & Associates – Brady Martz’s audit staff was in the office the week of June 25 to conduct their preliminary audit work. It was discussed and decided that since the internal auditors did not have any audit work for their review, staff would assist with their field work. This consisted of sending out confirmation letters to the sample the auditors selected and testing the benefit data. The information technology auditor was in the NDPERS office on August 7, 2007 to conduct an audit on the information technology division in the office. Brady Martz & Associates are scheduled to return to NDPERS on August 27 and plan to complete their field work by September 7.

The meeting adjourned at 11:25 a.m.